

DE 99-192
DE 00-277

GRANITE STATE ELECTRIC COMPANY

Contract Termination Charge

Order Nisi Approving Settlement

O R D E R N O. 24,012

July 24, 2002

I. INTRODUCTION AND BACKGROUND

In Docket No. DR 98-012, the New Hampshire Public Utilities Commission (Commission) by Order No. 23,041 (October 7, 1998) approved a plan for the restructuring of the Granite State Electric Company (GSEC) in compliance with RSA 374-F. Among other things, the Commission-approved Restructuring Settlement Agreement (Settlement) resolved issues regarding GSEC's stranded costs. New England Power Company (NEP) no longer provides all-requirements wholesale service to GSEC. As part of the Settlement, GSEC received "early termination of its wholesale purchase obligations in return for a Contract Termination Charge (CTC) paid by GSEC to NEP for the costs it incurred to serve GSEC." 83 NHPUC 532,540 (1998). The Commission also explained at that time that GSEC was "authorized to recover in retail rates, on a fully reconciling basis, the stranded costs as described in the CTC. The stranded cost

charges are fixed at 2.8 cents per kWh from the Retail Access Date through December 31, 1999. The CTC declines, thereafter, subject to adjustments." Id.

The 1999 report on the reconciliation of the CTC, along with testimony and supporting materials, was filed by NEP on December 1, 1999 and docketed as DE 99-192. Among other things, the report included a reduction in the CTC from 1.08 cents per kWh to 0.78 cents per kWh, effective January 1, 2000. GSEC also proposed changes in its transmission service rate, distribution surcharge factor and Systems Benefits Charge. By a Secretarial letter dated January 3, 2000, the Commission allowed GSEC's proposed rates to go into effect, noted that a technical session had been scheduled and explained that any party concerned about the rates could petition for a hearing.

The 2000 report by NEP on the reconciliation of the CTC was filed with the Commission on December 1, 2000 and docketed as DE 00-277. On February 27, 2001, an Order of Notice was issued indicating that the filing raised issues related to nuclear decommissioning costs, power contract buyouts, nuclear generating unit costs and revenues, employee severance and retraining costs, nuclear performance-based rates, NEP land sales and damages, and costs or net recoveries associated with

NEP claims. Rather than indicating a date for a hearing or prehearing conference, the Order of Notice noted that GSEC had proposed holding technical sessions jointly with state regulators in Massachusetts and Rhode Island, given the impact NEP's CTC has on Massachusetts Electric Company and Narragansett Electric Company. In a separate proceeding, Docket No. DE 00-274, concerning GSEC's 2001 Retail Rate Adjustments, the Commission approved, subject to reconciliation in DE 00-277, by Order No. 23,612 (December 28, 2000) a CTC charge of 0.53 cents per kWh for 2001.

Staff participated in several technical sessions during 2001 and reviewed data responses prepared by GSEC. As a result of the information gathered, Staff agreed to enter a settlement agreement with GSEC and NEP, which it filed with the Commission on November 26, 2001 (Settlement Agreement).

The Settlement Agreement also references a specific term of the parties' previous stipulation of March 18, 2001 in NHPUC Docket No. DE 00-148 and provides that this earlier stipulated provision continues to be binding upon the parties. This term provides that:

The Wholesale Stipulation and Agreement's Post Divestiture Formula shall be interpreted to prohibit the recovery of any unrecovered portion of an economic buyout payment, including any applicable return, made

pursuant to the PPA Transfer Agreement after the date that recovery of the specific long term power supply contract payments through the contract termination charge would have otherwise ceased, i.e., January 31, 2008, absent such economic buyout payment.

With that provision in place, Staff and the Parties resolved all issues related to Docket No. DE 99-192 and Docket No. DE 00-277; respectively, the CTC 1999 Reconciliation Report and the 2000 Reconciliation Report, and resulting charges.

II. COMMISSION ANALYSIS

For 1999, we allowed a decrease of the CTC from 1.08 cents per kWh to 0.78 cents to go into effect. For 2001, the CTC decreased from 0.78 cents per kWh to 0.53 cents. After a thorough review during the joint technical sessions with other jurisdictions, Staff concluded that there were no computational or other rate issues regarding the CTC reconciliation reports for 1999 and 2000. The Settlement Agreement also confirms the continued applicability of a provision in the stipulation from Docket No. DE 00-148 concerning the prohibition of recovery of certain unrecovered buyout payments, as set out more fully above.

In its filing of the 2000 report, GSEC indicated that the NEP report on the reconciliation of the GSEC CTC is provided to this Commission pursuant to Section 3.5 of the Wholesale

Settlement which was a part of the DE 98-012 GSEC Restructuring Settlement. The Wholesale Agreement at Section 3.5 deals with the resolution of disputes associated with the Implementation of the Contract Termination Charge and provides that disputes about the calculation of the residual value credit and adjustments to the CTC are to be resolved informally.

We find the process for achieving settlement and the substance of the settlement to be in the public interest. Accordingly, all issues presented by the 1999 and 2000 reconciliation reports are resolved and no further adjustments to the respective CTC charges for calendar years 2000 and 2001 are warranted.

Based upon the foregoing, it is hereby

ORDERED NISI, that the Settlement Agreement is approved; and it is

FURTHER ORDERED, that GSEC shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation, such publication to be no later than August 5, 2002 and to be documented by affidavit filed with this office on or before August 19, 2002; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than August 12, 2002; and it is

FURTHER ORDERED, that this Order Nisi shall be effective August 23, 2002, unless GSEC fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of July, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary